TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SJR 88

March 10, 2015

SUMMARY OF BILL: Requests the Governor to seek an appropriate waiver in order to implement the TennCare Opt Out program as a pilot program. The TennCare Opt Out pilot program would:

- Demonstration participants would opt out of the current system and be placed in a catastrophic benefits health insurance program;
- Premiums would be paid from TennCare appropriated funds in an amount set by the Bureau of TennCare;
- A participant would receive an amount to be determined by the Bureau of TennCare as funds on an electronic benefits transfer (EBT) card for the purchase of primary care services and medications;
- A participant would actively purchase health care, while healthcare providers would be paid immediately for their primary care services;
- A physician would offer a price less than but not greater than the current reimbursement structure of the TennCare program;
- A participant would receive, to the extent permitted by law, the unused balance of funds on the EBT card back at the end of the year as a cash disbursement after an appropriate application process is developed by the Bureau of TennCare.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - $3,191,600

Decrease State Expenditures - $1,115,900

Decrease Federal Expenditures - $2,075,700

Other Fiscal Impact – There will be a shift of $58,029,400 (state and federal) in current Medicaid expenditures that will go to pay for the TennCare Opt Out program enrollees.

Assumptions:

- The fiscal analysis is based on the estimated cost for the pilot program.
- Based on information provided by the Bureau of TennCare, the pilot program is estimated to include 17,200 temporary assistance for needy families (TANF) eligible male recipients between the ages of 21-44 (one-third of the population).

- The average monthly medical and pharmacy cost for this population is $281.15. The total annual medical and pharmacy costs are estimated to be $58,029,360 (17,200 x $281.15 x 12 months).
- These individuals will no longer be part of the TennCare population for the purposes of calculating the current 5.5 percent HMO premium tax. The reduction in premium tax revenue is estimated to be $3,191,615 ($58,029,360 x 0.055).
- The Bureau of TennCare pays the premium tax for its plans and receives a 65.035 percent federal match rate resulting in 34.965 percent of the total paid with state funds. The decrease in state expenditures is estimated to be $1,115,948 ($3,191,615 x 0.34965). The decrease in federal expenditures is estimated to be $2,075,667 ($3,191,615 x 0.65035).
- The current $58,029,360 expended to provide medical and pharmacy services to this group would be used to purchase catastrophic plan coverage estimated to be $30,918,720 (17,200 enrollees x $149.80 monthly premium x 12 months).
- The remaining $27,110,640 ($58,029,360 - $30,918,720) funds will be used to cover out-of-pocket expenses including deductibles, pharmaceuticals, and primary care. This would be approximately $1,576 ($27,110,640 / 17,200) per program enrollee.
- Based on information provided by TennCare, the catastrophic plan deductible is $6,350.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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